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Dear Leonora,

Thank you for visiting with us last week and for your interest in the work that Mike and I do. It was an interesting discussion. As discussed, I have summarised what I consider to be the key conclusions of the recent work I have been doing in the Pilbara area of Western Australia. (There is little in this précis that does not have application in other rural, regional and remote areas, particularly in Western Australia, where I have worked over the last decade regarding worker mobility and long distance commuting). If there is anything in this document that does include a topic of discussion that we canvassed last week, please let me know and I will be happy to include it.

Should you have any additional questions that you think I may be able to assist with, please do not hesitate to contact me.

Yours sincerely,

Fiona Haslam McKenzie



Productivity Commission Issues Paper

GEOGRAPHIC LABOUR MOBILITY

A submission prepared by Prof Fiona Haslam McKenzie, professorial fellow at Curtin Graduate School of Business and principal research leader at the Co-operative Research Centre - Remote Economic Participation *Enduring Community Value from Mining* research program.

Labour Mobility Issues in the Pilbara Region

Context

The Western Australian economy has experienced phenomenal growth on the back of unprecedented demand for resources. For most of the last decade iron-ore has been the most lucrative commodity export with the largest and richest deposits located in the remote Pilbara region of Western Australia. This resources boom has imposed significant pressures on the labour market and local communities which have struggled to meet the demand for appropriate accommodation and adequate services. Consequently, labour force mobility by way of long distance commuting (LDC) has become the norm, not only for those working in the resources industries but also for those servicing communities and support industries. LDC is adopted here as the encompassing term for the range of non-residential workforce arrangements currently in use in the resource sector, including fly-in/fly-out (FIFO), drive-in/drive-out (DIDO), fly-out/fly-in (FOFI) and bus-in/bus-out (BIBO).

About the Pilbara

The Pilbara region, until the 1960s when the federal government removed the restrictions on the international sale of iron ore, the main industries in the Pilbara region were pastoralism and fishing. Since the 1960s there have been several mining booms, (and subsequent slow-downs, but not busts), during which the lack of housing, inadequate infrastructure and poor service delivery were blamed for industry inefficiencies, dysfunctional communities and disjointed economic development. The most recent boom has amplified the pressures on housing, infrastructure, human resources and public service provision (Haslam McKenzie, Rowley, Phillips, Birdsall-Jones, & Brereton, 2009; Senate



Select Committee on Housing Affordability in Australia, 2008), marginalising those who cannot compete with the resources companies for scarce labour and accommodation, and effectively creating a mono-economy in the Pilbara, and consequently increasing the dependence on the resource sector. Unless non-mining businesses have access to a ready supply of affordable accommodation for their businesses and employees and can pay comparable wages to the resource sector, there are risks of labour force cannibalism and poaching, causing considerable workforce turnover and community churn.

The most recent boom (2001-2012) has been the most sustained with unprecedented population and resources industry growth. In the decade 2001 to 2011, the Pilbara region, stretching over 500,000 square kilometres, recorded the largest and fastest population increase (59%) outside of Perth, the State's capital city (Australian Bureau of Statistics, 2012). Importantly however, the growth was coming off a low base in 2001 of 39,461 people for the entire region. In the 2011 the permanent Pilbara population was claimed to be 48,610 peoples although the precise number of people living in the Pilbara is difficult to calculate because the permanent population is augmented by a large, temporary long distance commuting (LDC) workforce most of whom live in company owned and administered mining company accommodation, often some distance from the towns. It is estimated that an additional 55,000 long distance commuter workers, especially fly-in/fly-out (FIFO) from Perth, are also working in the Pilbara (Chamber of Minerals and Energy, 2012), more than twice the resident population.

Long distance commuting workers

To date, the Australian Bureau of Statistics (ABS) does not specifically count transient workers or the long distance commuter workforce in the five yearly census. LDC work arrangements have escalated in Australia over the last ten years. The vast majority of workers work in regional areas but usually claim to live in urban or peri-urban settings (Australian Bureau of Statistics, 2008a, 2008b).

The boom economic conditions have put extraordinary pressure on a highly sought after skilled labour force. Workers in the resources sector choose to commute to work places in often remote communities for both economic and social reasons:

- LDC enables workers to have a well-paid job in remote areas while at the same time retaining family and friendship ties in their residential communities, taking advantage of facilities and leisure opportunities there in the furlough period which are not available in remote and small communities.



- Families are often reluctant to relocate themselves in remote and rural communities where jobs for partners, and education, health, recreation and other social services are limited.
- LDC arrangements limit risk of capital investments over uncertain mining cycles, so there is a preference by both companies and individuals to invest housing and other capital in more predictable, stable markets.
- LDC enables workers to be flexible, giving them choice about who they work for, how long and where, particularly in a tight labour market.
- LDC workers are usually remunerated at a higher rate than residential workers.
- LDC workers are accommodated in company paid accommodation with transport, food and some entertainment costs provided.
- LDC lessens the need for investment in infrastructure by all levels of government, particularly for remote mines and sites with short operating lives and fluctuating workforce requirements.

Why long distance commuter workers and not permanent workers?

Economic reasons and pragmatism appear to have been important motivators for the mining and resource sectors to establish and then expand their LDC work arrangements.

- Many ore-bodies in Australia have a fairly limited mine life.
- The high cost of infrastructure in remote areas and the cyclical vagaries of international metal prices necessitates against the establishment of any substantial residential communities for these operations.
- Subsidised low rental housing in remote areas has been the norm since the introduction of fringe benefits taxation, (a cost to the employer).
- High cost of living in remote communities. The cost of living in the Pilbara is 137% of that of Perth (Department of Regional Development and Lands, 2011). It is too expensive for most retirees and others who are NOT employed in the resources industries, thus removing a large proportion of the volunteering sector and preventing the community functioning in a traditional manner.
- Lack of land banking by State agencies which have authority over Crown Land. On average, it takes seven years to rezone Crown Land to developable status (whether for residential or industrial purposes), due to sequential decision processes and the co-ordination of multiple government departments. If land had been prepared for rezoning, many of the development time delays would be avoided.
- Native title, mining clearances and environmental approvals are all required for land release and the installation of the necessary development infrastructure such as roads, power, water and sewage services (see Haslam McKenzie & Rowley, 2013).



- Company controlled accommodation means that there is greater control over LDC workers, their behaviour and their social impact on local communities.

Economic modelling undertaken by Rolfe and others (Rolfe & Kinnear, 2013; Rolfe, Miles, Lockie, & Ivanova, 2007; Rolfe & Rose, 2012) showed that employment multiplier effects are much lower for smaller communities, and tend to be lower for newer mining communities compared to traditional agricultural communities.

Government has also had a role in fostering LDC in Western Australia. When decisions have been made regarding resource projects and regional development the sequencing of development has not always been timely or consistent. For example, the sequencing of land release has not been carefully planned. In Onslow where Chevron has announced the development of an onshore gas facility, the Department for State Development began the projections for population growth and government services, (power supply, schools, health infrastructure, emergency response, waste management and water supply) for the town **after** the project was announced in 2011 even though there had been strong indications by the company for two years prior that the project would go ahead. Timely investment in planning and projections for the region do not represent a costly impost of government expenditure and could have saved expensive development bottlenecks and considerable community disquiet. (The State government's commitments to provide power and water for the town have lagged and the situation has become critical since the construction workforce has placed unplanned-for pressure on local water supplies.)

Furthermore, this particular project is administered by a State Development Agreement, (instead of the more usual State Agreement), which is **not** ratified by an Act of Parliament but rather, a series of contractual agreements between the government and corporate partners. Despite a commitment by the company to limit LDC, the shortfalls in critical utilities and infrastructure have forced transient worker accommodation and other arrangements (see Haslam McKenzie, 2013). Government has a critical role in providing leadership and strategic guidance that will facilitate rather than hinder sustainable socio-economic and environmental development.

Concluding remarks

LDC arrangements will remain essential for current and future mining operations in Australia for a range of reasons. The benefits allow new developments to proceed, spreads wealth across regions and states, smooths out workforce peaks and avoids many short-medium



term impacts on local communities, particularly smaller communities unable to cope with a sudden influx of new workers.

The mining and resource industry employees who choose to commute instead of relocate distribute the socio-economic costs and benefits of the super-cycles across numerous communities, regions and even States (see Minifie, 2013; Sheehan, 2011).

Well planned LDC and discrete LDC accommodation can have the advantage of keeping a large workforce influx contained, thus limiting impacts on local housing and employment markets, and managing other behavioural and social pressures.

Currently, resource-dominated communities do not reap many benefits from a highly peripatetic workforce, and it can be argued, are both marginalised and penalised for having resources development nearby. Certainly, more could be done by all levels of government and the corporate sector to spread the benefits of LDC at a local level (see Haslam McKenzie, Rolfe, Hoath, Buckley, & Greer, 2013).



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Professor Fiona Haslam Mckenzie has a PhD in political geography. Fiona has extensive experience in population and socio-economic change, housing, regional economic development and analysis of remote, regional and urban socio-economic indicators. She has published widely and undertaken work for the corporate and small business sectors both nationally and in Western Australia as well conducting work for all three tiers of government. Fiona led the CSIRO Minerals Down Under Regions in Transition Project. She currently leads the Regional Economies – Enduring Community Value from Mining division of the Co-operative Research Centre - Remote Economic Participation. She is investigating the socio-economic impact of different workforce arrangements for the mining industry, including long distance commuting, residential and automated minesites.

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