
The Problem with Australia's Skill Development Efforts

This article was featured in The International Resource Journal, Paydirt and Oil & Gas Magazines in 2011

If you haven't yet heard, Australia needs skilled workers.

The project pipeline is staggering with 75 advanced projects either underway or due to start in the next two years and another 286 projects currently undergoing some degree of pre-feasibility assessment. All up, the current decade-long pipeline is generating more than 61,000 new operational jobs in mining, the same in construction and more than 3,000 new operational jobs in oil and gas. And this doesn't even begin to consider the replacement demand with 10 percent of employees expected to leave the industry each year, including a high percentage through retirements.

Australia expects construction jobs on new projects to peak at 45,000 in 2012 and 2013. According to the Government's National Skills Taskforce Report of 2010, the resource sector could be 36,000 tradespeople short by 2015.

All of which begs the question – what is Australia doing about addressing the need? If the 100 or so media articles which appear each month citing 'the skills shortage' are to be believed, the answer is 'lots'. The issue, however, is how much of this work is being translated to the average Australian seeking an opportunity in the 'land of promise'.

The Gillard Government this month launched a \$558 million fund which will provide 130 000 Australians with the opportunity to learn new skills for jobs in sectors suffering from critical skill shortages. Whilst the fund will cover skill development for a number of industry sectors, a significant proportion will be directed to civil and general construction.

Industry is now being encouraged to make bids to their respective Industry Skills Councils to secure matched funding to train its current or prospective workforce.

The Gillard Government is also providing a further \$75 million in 2011-12 Budget through the Critical Skills Investment Fund (CSIF) which forms a part National Workforce Development Fund. The CSIF will increase the workforce capacity and productivity of critical industries, with the first round being targeted at the resources and renewable energy sectors.

One can hardly argue that the government is not doing its bit, most notably supported by Western Australia, South Australia and Queensland state governments, all similarly implementing programs and initiatives aimed to skill, skill, skill.

The issue however is this. Projects require two distinct workforces:

- the construction workforce; mainly comprised of those who work for large construction companies and their subcontractors; and

- the operational workforce; mainly comprised of individuals with an employment relationship with a resources company, or with a specialist contractor engaged by the company.

The Australian Bureau of Agriculture and Resource Economics (ABARE) data indicates that total construction employment for advanced and less advanced major projects may be up to 100,000 over the decade.

The 100,000 required for construction won't sit directly with major industry employers - it will be the domain of labour hire/contracting companies who will be working on both mining and oil and gas projects. And herein lies the problem.

The current structure of construction projects means that suppliers in this space are unable to 'carry' additional employee numbers as trainees as they work on a project-to-project schedule. Because construction contractors can't know where the next contract will be in advance, their ability to provide opportunities for trainee positions is severely limited. Couple this with the requirement from companies to tender on a competitive pricing model and trainees become a 'nice to have'. In fact, many skilled workers are hired on a project to project basis, which similarly impacts any ability for construction contractors to provide ongoing skill development for even these workers.

Where mining and oil and gas operations are concerned, the issue won't impact so severely. They have the luxury of time to determine how their workforce plans will be accommodated. This might be a combination of skilled migration, retention programs, sourcing skilled workers from other industries and offering increased trainee opportunities, and specifically reaping the benefits of government programs.

Where mining and gas operators will feel the pinch however is during the construction phase. Already Australia is seeing delays in the construction and commissioning of some its largest projects and only recently, Leighton Holdings Chief Executive David Stewart said they won't bid for work on the massive Gorgon gas project in Western Australia until it can secure workers amid labour shortages.

Mr Stewart went on to say that whilst there had been delays on the liquified natural gas (LNG) project, the federal government's migration and industrial policies were making life difficult for contractors in resource hotspots. "If someone wants 2,000 people in three months at some location, we can't commit to that because I don't know where I'm going to get them from", he said.

So, what more could industry be doing to ensure the skill development funding and programs provided by government are resulting in tangible employment opportunities for Australians in the first instance?

Firstly, every company should be held accountable to factor in 10% of their workforce as trainees, graduates and apprentices. Companies can determine how they wish to structure their programs and around what skills, based on their needs. However, the target sets the expectation that all companies are committed to bolstering the overall intake of new skills to industry. Companies should be encouraged to report training numbers.

Secondly, operators should factor in the cost and additional manning required for their labour hire/construction suppliers to provide entry level opportunities, apprenticeships, graduate programs and training on-the-job. Key Performance Indicators and specific requirements should be documented in the initial tender documents and later, in the Human Resources Management Plan (HRMP), where the supplier is held accountable for deliverables. Again, the number of trainees should be 10% of their manning numbers (it won't solve the overall demand, but is achievable for those companies concerned).

Thirdly, labour hire companies and employers must advertise a minimum 10% of their roles as 'no industry experience required'. This obviously is dependent on the role, but anecdotal evidence suggests that there are already thousands of people willing, able and motivated to enter the industry and who are trade or degree qualified or who have obtained relevant tickets/licenses but who cannot get an entry level opportunity due to no experience. By simply removing the requirement to have industry specific experience in order to be considered for roles such as rigging, scaffolding, equipment operators, and a number of trades (carpenters, painters, steelfixers etc) and professional roles (HR, IT, Finance and some engineering etc), the industry will automatically, and very quickly and effectively create a strong and new pipeline of people. It is my guesstimate that industry would achieve a 30% intake of new recruits by this way alone.

Unless mining and oil and gas operators support those organisations providing the construction skills for their projects, Australia runs a very real risk of many experiencing significant delays at best and not proceeding at worst.

The focus on increased training programs and funding is diminished to mere rhetoric unless industry employers increase and make known entry opportunities for those without direct industry experience, and this applies to all job types and disciplines. The angst is felt just as much in engineering and professional groups as those seeking to be a labourer or truck driver on a mine site.

Critically, operators must address the issues relating to the construction workforce. You can't demand technical expertise, cost efficiencies and project delivery without supporting the development of skills for this sector. The current structure of the tender and delivery process offers no feasible scope for construction contractors to carry inexperienced or trainees. All the training programs in the world won't resource Australia's pipeline if tangible trainee or entry level opportunities to gain experience are not offered.

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About The Resource Channel The Resource Channel provides the Australian Resource Sector job market with a credible and accurate source of information on current and upcoming job opportunities in oil and gas, mining and mining construction. Employers and industry experts post employment, project and contract news, tips and information for the industry. The Resource Channel is a registered subsidiary of Industry Blogger Pty Ltd, ACN: 133 397 136.

The Resource Channel received the national award for the 'Best Blog Website' at the Australian Web Awards in Perth on 6 November 2010 and was awarded 'Best Industry Job Website' 2011 by Reuters International. The website attracts more than 300,000 visitors per annum.

Jody Elliott is Director and Founder of The Resource Channel, an award winning website dedicated to employment news and jobs for the Australian Resource Sector. A regular contributor to media and industry events, Jody is at the forefront of industry news and information relating to employment in the sector and has held senior roles at Santos, BHP Billiton, Australian Rail Track Corporation, amongst others.