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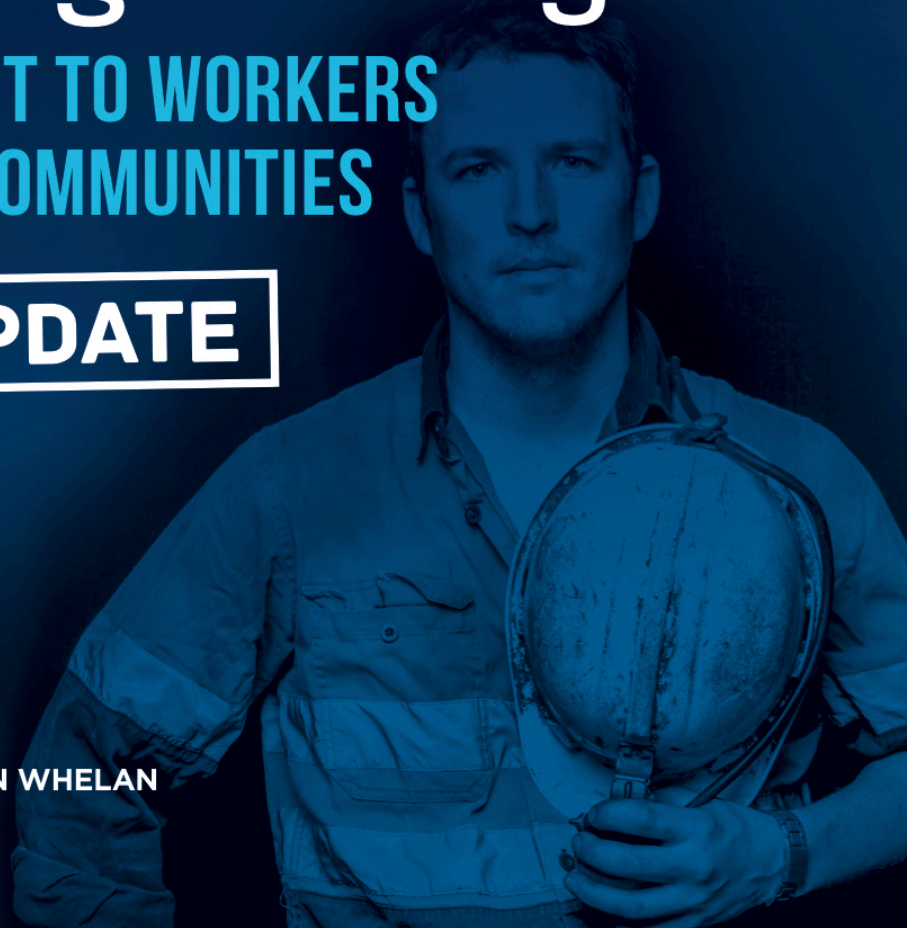
# Wage-cutting Strategies in the Mining Industry

THE COST TO WORKERS  
*and* COMMUNITIES

**UPDATE**

BY DR. STEPHEN WHELAN

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## About the McKell Institute

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues.

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## Acknowledgment of country

This report was written on the lands of the Darug and the Eora Nations. The McKell Institute acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

## About the authors



**Dr. Stephen Whelan** is a labour market economist who was appointed at The University of Sydney in 2002 after receiving his PhD from The University of British Columbia. Stephen has worked on and published a wide range of labour market and housing related research. His research has been published in Australian and international journals and has examined the relationship between the cost of childcare and labour market activities; the relationship between housing wealth and consumption; and, the role of direct negotiation between employers and employees on the gender wage gap.

**Edward Cavanough** is the Policy Director at The McKell Institute.

**Marni Lefebvre** is a Policy Analyst at The McKell Institute.

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## Foreword

As this report is finalised, government forecasts show export earnings from coal surpassing \$100 billion a year for the first time.

The industry is booming and in many areas mine operators are struggling to find enough workers to dig coal fast enough to capitalise on the phenomenal prices. It simply cannot be argued that coal companies can't afford to provide well-paid secure, permanent jobs to coal mineworkers.

It's true that resource prices are volatile and current sky-high prices won't last. The only certainty ahead is that there will be change in the global economy affecting our coal exports. But the fact that the current super profits won't last forever is even more reason why coal companies must be held to account for providing good, secure jobs now.

For more than a decade, coal companies have been at the forefront of outsourcing permanent jobs to labour hire companies. Despite full-time hours and rosters extending up to a year in advance, labour hire mining jobs are often casual and always on rates minimally above the Award. This cost-saving on wages underpins the business model.

Outsourcing jobs to labour hire companies is a way for mining companies to get around Enterprise Agreements that have been negotiated by unionised workforces over decades, containing wide-ranging conditions and pay rates in the vicinity of 30 to 40% above the Award. It's also a way to avoid paying workers redundancy entitlements when jobs are no longer required.

Coal miners speak extensively of the toxic divisions in the workforce, as permanent crew members are replaced over time by labour hire workers doing the same work with the same skills but being paid less and treated worse.

We were pleased to work with the McKell Institute to update this report in the context of the upcoming Federal Election, identifying the cost of wage-cutting through labour hire to communities in those electorates with the highest proportion of coal mining jobs.

The loss in economic activity is substantial across mining communities. In the Federal electorates of Hunter and Paterson, that loss ranges between \$130 and \$236 million annually; in the electorate of Flynn between \$218 and \$358 million; and, in the electorates of Capricornia and Dawson between \$223 and \$396 million. Across those communities, the loss is close to \$1 billion annually.

While these electorates have the highest proportion of coal mineworkers in Australia, there are other coal regions impacted by this employment model including NSW's Central West and Illawarra regions pushing the cost to communities even higher.

There are those that seek to downplay the importance of coal mining jobs in our economy. But in our coal regions, mining jobs are the backbone of the local economy with high wages and job opportunities driving economic activity. And as this report illustrates, these communities are being ripped off.

Our Union has worked tirelessly through the courts to expose and end the casual labour hire rort undermining wages and conditions in our industry. However, when we had big court wins that would have delivered some justice to labour hire workers, the Morrison Government simply overturned them – bowing to the intense lobbying of big mining and labour hire companies.

It's clear to us that we need a political solution to the wage-cutting rort hurting mining communities. That's why this Federal Election, our union has been campaigning heavily for 'Same Job Same Pay' laws which would mean that labour hire workers doing the same work as direct employees can't be paid less than the terms of a site Enterprise Agreement.

Same Job Same Pay laws proposed by Federal Labor would support the sensible position that there is a role for labour hire to meet genuine peaks and troughs in production; but labour hire should not be used to undercut Enterprise Bargaining, drive down pay and rob regions of the economic activity they deserve as host communities.

Earlier this year, we lost a stalwart of our union – coal miner and activist Fred Moore who died aged 99. After a lifetime of experience working and organising workers in the coal mines, Fred described multinational mining companies like this:

“They're predators, they roam the earth to take all the mineral resources and sympathetic governments give it to them – in the process of that they give them the people's lives as well. They'll try and take every bit of conditions that the miners have won and the Australian people only get the holes in the ground.”

Our coal workers and communities deserve so much more than the holes in the ground. They deserve prosperity, secure jobs and their fair share of the rivers of gold the industry generates. They also deserve political representatives that will stand up to the mining companies on their behalf and not just exploit them for photo opportunities and culture wars.

There is a solution to the billion-dollar shortfall in economic activity in our coal communities. It's 'Same Job Same Pay' and I urge everyone with an interest in our great coal regions to vote for it this election.

Tony Maher  
General President  
Mining and Energy Union

## Executive Summary

In 2020, The McKell Institute published *Wage Cutting Strategies in the Mining Sector*, a report which calculated the economic impacts of labour-hire and casualisation in Australia's mining sector. That report identified that, routinely, major mining sector employers were utilising labour-hire firms to minimise wage costs. The 2020 report noted that, while it was the individual workers who suffered most directly from such cost cutting, the communities long-reliant on a vibrant mining sector were impacted, too.

Two years on this report examines the most recently available data to update McKell's 2020 report.

Part 1 of the report outlines the current state of Australia's mining industry, and the impact that the COVID-19 pandemic has had this key sector. In recent years, the mining sector has seen record-breaking profits, an increase in exploration work, and increasing export volumes of ores. Further, while most industries were suffering due to the pandemics and unpredictable lockdown measures, over the course of 2019-2020, the mining industry accounted for over 10 per cent of the GDP. And during that same time, resources and energy exports reached \$221.2 billion in value. This report notes that, while this recent success is certainly welcome, it also creates an obligation upon the sector to ensure those working on its frontlines are adequately remunerated.

Part 2 of this report then details how wage costs are minimised in the mining sector. It notes that excessive use of contractors and labour-hire firms impacts the wages of those in the mining industry, in addition to the communities that rely on those mines.

Part 3 of the report reiterates the findings from McKell's 2020 report. In that report, it was noted that the labour cost reductions associated with workforce casualisation and the increased use of labour-hire firms would cost neighbouring communities between \$485 million and \$851 million in economic activity.

Finally, in Part 4, the report tables the ongoing costs of wage cutting in the mining sector activity located in five Federal Electorates heavily dependent on mining income: Flynn, Capricornia and Dawson in Queensland, and Hunter and Paterson in New South Wales. The estimates in this report indicate that the use of labour hire firms cost neighbouring communities between \$571 million and \$989 million in economic activity. Those estimates are likely to understate the true impact of the strategies employed by mining firms given that large numbers of casual mineworkers are classified by their employers and the Australian Bureau of Statistics as not being in the mining industry.

## Key Findings

**Finding 1:** Wage cutting strategies in the mining sector within the **Federal Electorates of Hunter and Paterson, NSW**, cost the community between \$130 and \$235.85 million in localised economic activity per year.

**Finding 2:** Wage cutting strategies in the mining sector within the **Federal Electorate of Flynn, Queensland**, cost the community between \$218 and \$357.5 million in localised economic activity per year.

**Finding 3:** Wage cutting strategies in the mining sector within the **Federal Electorates of Capricornia and Dawson, Queensland**, cost the community between \$223.1 and \$395.9 million in localised economic activity per year.

**Finding 4:** Across all five electorates, up to \$989million per year is lost in local economic activity due to wage cutting strategies utilised by the mining sector. This represents a significant economic loss to regional communities across Australia.

## Part 1: Australia's mining sector during the pandemic

Since the discovery of coal in New South Wales (NSW) in the late 18th century, mining has become a corner stone of the Australian economy. Using data for the November 2021 quarter from the ABS, today, the mining industry directly employs 271,300 people<sup>1</sup>, which accounts for 2.1 per cent of the total Australian workforce. Over the past five years, employment in the industry has increased by 22.5 per cent<sup>2</sup>, with median weekly earnings sitting around \$2,656.30 per week at the end of 2021.<sup>3</sup>

Employment in the mining industry peaked in August 2012, during the mining boom, with the subsequent slowdown in demand negatively impacting employment after the boom ended.<sup>4</sup> However, work in the industry has remained strong and in February 2020, the level of mining employment was 186.4 per cent above the level recorded in February 2000.<sup>5</sup> Moreover, the share of total employment in the mining industry almost doubled from one per cent in February 2000, to 1.9 per cent in February 2020.<sup>6</sup>

Even through the uncertain times that the pandemic has wrought, mining has remained one of Australia's largest sectors, a monument to its stability and profitability. Australia's first case of COVID was identified on January 25, 2020, and on January 29 mining was classified as an essential industry. Throughout 2019-2020, the mining industry accounted for over 10 per cent of the GDP.<sup>7</sup> Over the same period, resources and energy exports reached an astounding \$221.2 billion in value.<sup>8</sup>

Additionally, expansive exploration work that began prior to the pandemic uncovered several new mineral deposits, for example, in the Beta Hunt gold mine in Western Australia in 2018, which amassed approximately \$15 million in value in just four days.<sup>9</sup>

The industry's robustness and promise of sustained future profitability has led to mining contributing 0.2 per cent to Australia's economic growth from June 2021 to September 2021 despite an overall contraction in the size of the economy.<sup>10</sup> The mining sector was one of only two sectors to record positive contributions to growth in GDP during this time, the other being the Financial and Insurance Services sector.<sup>11</sup>

With the pandemic impacting global supply chains and exports around the world, Australia has emerged as the world's largest iron exporter over the past several years. This is evidenced by the fact that exports of metalliferous ores reached a record \$20.5 billion in June 2021, making up almost half of Australia's total export that month alone.<sup>12</sup>

Despite recent figures showing decline in the value of metalliferous ores driven by a fall in demand for iron ore from China, export of metal ores and minerals rose by 12 per cent (\$1,356 million) from November 2021 to December 2021 (seasonally adjusted).<sup>13</sup> The most recent Resources and Energy Quarterly (March 2022) published by the Department of Industry,



Science, Energy and Resources states that they expect Australia's resource and energy export earnings are expected to reach a record \$425 billion in 2021-22.<sup>14</sup> More specifically, after falling more than 60 per cent through the second half of 2022, iron prices have rebounded in early 2022. Further, Australian export volumes are expected to grow steadily from 897 million tonnes in 2021-22, to 1044 million tonnes by 2026-27.<sup>15</sup>

The Federal Government's 2021-2022 Mid-Year Economic and Fiscal Outlook report states that mining investment is expected to grow by four percent in 2021-2022, and by eight percent in 2022-23.<sup>16</sup> These figures and conditions suggest that Australia's mining industry is experiencing similar circumstances that lead to the boom of 2010, with record-breaking exploration spending and capital raising.<sup>17</sup> Total exploration hit a record \$974 million in the fourth quarter of 2021, while capital raising also broke records with an increase of more than 70 percent.<sup>18</sup>

Three of the ASX top 10 companies are miners, Rio Tinto, Fortescue Metals Group, and BHP.<sup>19</sup> With BHP delisting from the London Stock Exchange in early 2022 to have its shares exclusively listed in Australia, the mining giant is set to tilt Australia's stock market toward mining. BHP is currently the biggest company on the ASX, with Rio Tinto the third biggest, and Fortescue being the tenth biggest stock.<sup>20</sup>

Notwithstanding the profitability and growth of the mining sector/firms over this period, there continues to be strategies adopted by mining companies that erode the pay and conditions of those who form the backbone of the industry and indirectly impact on the local communities that they are part of. One way to address this would be to standardise the rate of pay for similar or like jobs, regardless of the hiring mechanism used to employ the worker.

## Part 2: The effect of labour-hire practices on miners' wages

The term 'labour-hire' began to come to prominence in the 1990s and early 2000s, although the practice and use of agencies and companies specialising in the supply and provision of workers to client organisations has been around since the 1950s.<sup>21</sup>

The current form of labour hire in Australia can be traced to several main forerunners: the traditional agency employment industry, the recruitment industry, and the 'pure' labour hire industry. In the late 1980s, specialist firms began to emerge and offer contract labour as a replacement for, or supplement to, existing employees in several highly unionised and dispute-prone industries such as construction.<sup>22</sup>

Labour hire can be defined as an arrangement whereby a labour hire company or agency provides individual workers to a client or host with the labour hire company being ultimately responsible for the worker's remuneration.<sup>23</sup> Labour hire may be problematic for individual workers and labour markets more generally by circumventing negotiated agreements that define wages and working conditions.

For workers, there are three main issues. Firstly, labour hire workers tend to be engaged as either casual employees or dependent contractors. With these kinds of employment arrangements, conditions tend to be characterised by insecurity, precariousness, the absence of career paths, low or below award pay, and substandard conditions. Secondly, labour hire tends to be associated with limited training and skills development, where labour hire workers receive less on the job training and much less portable training skills and development than permanent employees. Thirdly, labour hire is frequently associated with limited industrial protection afforded by awards, enterprise bargaining arrangements, and union coverage.<sup>24</sup>

Over time, successive Australian Governments have drawn on the rhetoric and discourse of choice, flexibility, and freedom to enable a casualised and contingent workforce. However, the construction of such 'flexible/independent' workforces fosters and enables economic and social inequality and employment insecurity and precarity.<sup>25</sup> The reality of this 'flexibility', however, remains firmly and considerably grounded in employer-related flexibility.

Policies associated with deregulation and privatisation, may be accompanied by an increase in insecure labour. For example, there has been a sharp rise in casual, on-call, temporary, and contract employment in Western economies, often associated with the creation of a more flexible workforce.<sup>26</sup> In this context, economic and labour market restructuring has resulted in the proliferation of insecure work and working conditions, shifting economic risks associated with labour markets from states and corporations, onto individual workers.<sup>27</sup>

While labour hire arrangements and workforce casualisation has been on the rise recently, it has been particularly prevalent throughout the COVID-19 outbreak. Short-termism, flexibility, and fluidity have been normalised within current employment market realities.<sup>28</sup> And the uncertainty that has thus far characterised and underpinned the pandemic has aggravated workforce passivity and driven down wages and entitlements. One obvious way that COVID has exacerbated the precarity of work has been in the impact of widespread restrictions and lockdowns on the workforce, where employers have found a quick and easy solution to financial woes by dismissing insecurely employed workers across the economy.

Yet even before pandemic, casualisation was pervasive, with one in four Australians being employed in casual work. Compared to other OECD countries, Australia's rate of casualisation is one of the highest.<sup>29</sup> The increase in the proportion of casual employees is mirrored by the steady decline in the proportion of full-time equivalent employees to the total employment population from 84 per cent in 1979 to 68 percent in 2018.<sup>30</sup>

This casualisation is also related to what is colloquially referred to as the 'gig economy'. The gig economy refers to the technology-driven, digitally enabled transformation of work organisation and is related to broader labour market trends including a rise in precarity, the decoupling of paid work from employment, and the increasing fragmentation of tasks and responsibilities within both supply chains and jobs in general.<sup>31</sup>

The growth of the gig economy, characterised by a deepening reliance on online platforms and isolated independent workers, poses a fundamental challenge to traditional models for regulating work and setting minimum standards. In some cases, evading traditional regulations (such as employment benefits and award payments) appears to have been a key rationale for establishing these jobs in the form that they take.<sup>32</sup>

In the context of mining, casualisation has meant that many workers engaging in what would traditionally be considered as 'mining' are classified otherwise. In particular, major labour hire providers do not have their casualised employees counted as being in the mining industry. Instead these firms are classified in the reports of the Australian Bureau of Statistics as being in the "Administrative and Support Services" industry. The consequence of this is that many thousands of casual employees are effectively removed from from the mining industry.<sup>33</sup>

## Part 3: Findings of McKell's Previous Report

In March 2020, the McKell Institute released *Wage-cutting Strategies in the Mining Industry: the cost to workers and communities*. This report analysed the endemic issues of casualisation and related labour hire strategies within the mining industry, and discussed the overall social and economic impact and importance of the sector to Australia's regional communities.

Mining plays a major role in regional communities. The employment it offers – historically good paying, ongoing jobs – has long provided a beneficial spill-over effect into neighbouring communities. This spill-over is both direct and indirect and includes boosts to local economies and infrastructure as well as positive social outcomes. Fleming and Measham (2014) found that for every job created in mining, 1.4 additional jobs are created in the local region where the mining occurs.

Ivanana and Rolfe (2011) found that at a regional level, a 25 per cent increase in mining activity would lead to an approximately 8 per cent increase in overall output in the region and a 10 per cent increase in regional income.<sup>34</sup> Further, every additional dollar of income that results from mining activity has a direct and indirect impact on additional income of 0.43 to 0.45.<sup>35</sup>

Many miners are employed as fly-in-fly-out (FIFO) or drive-in-drive-out (DIDO) workers, owing to the nature of the work and the long shifts that are par for the course in the industry (shifts that often exceed 12 hours).<sup>36</sup> However, it was found that there has been a marked change in the nature and earnings for some individuals, which subsequently reflects a shift from full time direct employees being engaged by mining companies directly to the hiring of workers who are employed indirectly through labour hire firms, usually as casuals.<sup>37</sup> This casualisation of the mining workforce has significant detrimental impacts on wages and flow-on benefits to mining communities.

### **McKell's 2020 study found cost-cutting hurt communities**

In *Wage Cutting in the Mining Sector*, McKell chose three SA4 level regions (as defined by the Australian Bureau of Statistics) as case studies, with the SA4s representing the largest sub-State regions in the ABS geographical areas classification and designed to reflect the nature of labour markets within each state.

In NSW, the Hunter Valley (excluding Newcastle) was examined, as it contains largely thermal and semi-soft coking coal. In 2016, mining employed 9.2 per cent of employed individuals, which was roughly equivalent to 8,947 workers. Further, mining was the third largest industry of employment.

In 2016 in the Mackay-Isaac-Whitsunday SA4 region, mining employed 14.4 per cent of the overall workforce, a proportion unchanged since 2011. At a sub-regional level mining is even more important. The Isaac region within the SA4 contains the Bowen Basin which includes the largest coal mining deposits in Australia. In the Bowen Basin, 27.3 per cent of all employment is engaged in mining. In 2016 the number of people working in the mining industry at the SA4 level was equal to 8,676 workers, a decline of approximately 25 per cent since 2013. That said, by employment, mining was still the largest industry of employment.

Finally, in Central QLD, mining employed 8.7 per cent of employed individuals, again, a proportion that has remained unchanged since 2011. In 2016, the number of people employed in mining at the SA4 level was equal to 8,287, a decline of approximately 15 per cent since 2013. Much like the Hunter region, mining was the third largest industry of employment in the region.

With so many individuals reliant on the industry in these SA4 regions, not only do wage-cutting strategies undermine the quality of life for those in the sector, the negative flow-on impacts also extend to the entire local communities that support the mines. The report found that within these three major mining regions across NSW and QLD, every year, the labour cost reductions associated with workforce casualisation and the increased use of labour-hire firms would cost the communities between \$485 million and \$851 million in economic activity.<sup>38</sup>

## Part 4: Updated numbers and continued impacts on regional communities

Updated figures for the impact on the economic activity of the wage cutting strategies adopted by mining companies are presented in Tables 1-3. The assumption underlying each of the calculations are made explicit in the accompanying footnotes to the the Tables. The estimates reported are based on the ABS SA4 statistical regions and the Federal electorates that those SA4s traverse are identified.

In 2021, the direct and indirect economic impact across regions is calculated to range between \$571 and \$989 million dollars.

It is important to stress that the total impacts reported in Table 1-3 are conservative and the true impact of the strategies adopted by mining companies is likely to be higher. The economic impacts reported are based on an assumption regarding casualisation that leaves some workers engaged in mining activity being identified by the ABS as being incorrectly identified. There is evidence that labour-hire providers classify workers as being in the “admin and support services” industry, so these workers don’t appear in mining at all. This has the implication that the total number of workers reported to be employed in mining by the ABS is actually an underestimate of the true count of mining workers. In turn, this implies that the estimate of casualisation would be a higher number too, and therefore the financial impact larger.

TABLE 1: The Hunter Valley excluding Newcastle (federal electorates of Hunter and Paterson)

<b>Hunter Valley (exc Newcastle, SA4)</b>		
<i>No. resident mining workers (2021)</i>	8,569	
	Mt Arthur Coal Mine	Bulga Open Cut
<b>Employee wage per year</b>	146,694 (a)	151,547 (b)
<b>Contractor remuneration per year</b>	110,729 (c)	115,293 (d)
(a) Based on wage of Mt Arthur Coal Mine employee (mineworker), EA Mt Arthur Coal Enterprise Agreement 2019 - AG2019/5198		
(b) Based on wage of Bulga Open Cut employee, Bulga Open Cut Enterprise Agreement 2021 - AG2021/6320		
(c) Based on Level 3 mineworker employed by Skilled Workforce Solutions (NSW) Pty Ltd, Skilled Workforce Solutions (NSW) Pty Ltd Enterprise Agreement 2019 - AG2019/517		
(d) Based on wage of mineworker level 3 (trades), employed by TESA Group Pty Ltd, TESA Group – Enterprise Agreement 2018 AG2018/36		
<b>Low Estimate, assumes casual employees take no unpaid leave</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	92.83	123.77
<i>Direct &amp; indirect impact per year (\$m)</i>	129.96	173.28
<b>High Estimate - assumes casual employees take unpaid leave to match paid annual leave of permanent employees</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	126.35	168.46
<i>Direct &amp; indirect impact per year (\$m)</i>	176.89	235.85

TABLE 2: Mackay-Isaac-Whitsunday (federal electorates of Dawson and Capricornia)

<b>Mackay-Isaac-Whitsunday (SA4)</b>		
<i>No. resident mining workers (2021)</i>	12,736	
	Goonyella Riverside	Carborough Downs
<b>Employee wage per year</b>	<b>158,140 (a)</b>	<b>164,432 (b)</b>
<b>Contractor remuneration per year</b>	<b>119,574 (c)</b>	<b>119,574 (d)</b>
(a) based on production employee employed at Goonyella Riverside, EA BMA Enterprise Agreement 2018 - AG2018/1385		
(b) based on experienced underground mineworker and tradesperson employed at Carborough Downs Coal mine, EA Carborough Downs Coal Mine Enterprise Agreement 2020 - AG2020/3143		
(c) based on CMW Mineworker 3 employed under WorkPac Coal Mining Agreement 2019 - AG2019/1335		
(d) based on CMW Mineworker 3 employed under WorkPac Coal Mining Agreement 2019 - AG2019/1335		
<b>Low Estimate, assumes casual employees take no unpaid leave</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	159.37	212.50
<i>Direct &amp; indirect impact per year (\$m)</i>	223.12	297.50
<b>High Estimate - assumes casual employees take unpaid leave to match paid annual leave of permanent employees</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	212.09	282.79
<i>Direct &amp; indirect impact per year (\$m)</i>	296.92	395.90



TABLE 3: Central Queensland (federal electorate of Flynn)

<b>Central Queensland (SA4)</b>		
<i>No. resident mining workers (2021)</i>	9,803	
	Dawson mine	Blackwater mine
<b>Employee wage per year</b>	<b>159,500 (a)</b>	<b>157,492 (b)</b>
<b>Contractor remuneration per year</b>	<b>104,395 (c)</b>	<b>106,732 (d)</b>
(a) based on wage of level 2 employee employed under Dawson Mines Collective Enterprise Agreement 2021 - AG2021/6521		
(b) based on Blackwater employee employed under BMA Enterprise Agreement 2018 - AG2018/1385		
(c) based on Mineworker level 3 employed under Corestaff QLD Black Coal Mining Enterprise Agreement 2020 - AG2020/673		
(d) based on Mineworker level 3 employed under Chandler MacLeod Queensland Black Coal Mining Agreement 2020		
<b>Low Estimate, assumes casual employees take no unpaid leave</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	155.67	207.56
<i>Direct &amp; indirect impact per year (\$m)</i>	217.94	290.58
<b>High Estimate - assumes casual employees take unpaid leave to match paid annual leave of permanent employees</b>		
<i>Rate of Casualisation – two cases</i>	30%	40%
<i>Reduction total employee inc. per yr (\$m)</i>	191.49	255.32
<i>Direct &amp; indirect impact per year (\$m)</i>	268.09	357.45

- (i) Total number of workers based on ABS Labour Force Survey, November 2021. The number of mining workers is identified by excluding- managers, professionals, clerical and administrative workers and sales workers from the total number of workers employed in mining. The proportion of such workers is based on data from the 2016 Census.<sup>39</sup>. Table 12 in the Working Population Profile.
- (ii) Low estimate is based on the discrepancy in salary/ wages received by employees and non-employees of the mining company. Calculations are based on the mean value of wages reported by mine employees and contractors at each mine site for a given SA4 region at each of the two mines listed across SA4 regions Where available the salary of contractors are based on the “flat rate casual for 52 weeks” figure provided by the MEU.
- (iii) High estimate is based on the discrepancy in salary/ wages received by employees and non-employees of the mining company assuming that contractors take six weeks unpaid leave annually. Calculations are based on the mean value of wages reported by mine employees and contractors at each mine site for a given SA4 region at each of the two mines listed across SA4 regions. Where available the salary of contractors are based on the “flat rate casual for 52 weeks” figure provided by the MEU.
- (iv) Rates of casualisation are set at 30% and 40% as per the data provided by the MEU. See endnote 33
- (v) The reduction in total employee income represents the direct impact of casualisation on worker earnings in the local region measures as \$m per annum.
- (vi) The direct and indirect impact captures for the flow on effect. The estimates reflect the multiplier identified in the analysis reported in Rolfe et al. (2010). That analysis drew on input-output (I-O) models that estimated the additional consumption effects associated with the wages and salaries paid to workers and contractors engaged in mining. A multiplier of 1.4 has been used.
- (vii) The multiplier effects are derived from I-O models such as in Rolfe et al. (2010). In such models it is implicitly assumed that there is no input substitution that follow from the changes in the relative price of factor inputs. This is likely to be the case in the short run, especially where mining has been associated with the receipt of large positive economic profits. Further, it is assumed that any increase in wages would not lead to a reduction in mining activity in the regions analysed and hence the level of

employment in that industry. That is, this effectively rules out the likelihood that mining activity crowds out other economic activity. While such a criticism is often associated with the use of multipliers derived from input-output analysis, it is not likely to be as pertinent a consideration in the current analysis if the mining activity from a new project would divert resources from other productive uses in the economy. Rather, any change in wages would represent a change in the returns to a specific factor at the local level.

## Endnotes

- <sup>1</sup> Australian Bureau of Statistics (2022), ‘Labour Force, Australia, Detailed – Table 4, Mining seasonally adjusted’. Accessed online: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/dec-2021#industry-occupation-and-sector>
- <sup>2</sup> Labour Market Insights (2021), ‘Mining’. Accessed online: <https://labourmarketinsights.gov.au/industries/industry-details?industryCode=B>
- <sup>3</sup> Australian Bureau of Statistics (2021), ‘Average Weekly Earnings, Australia’. *ABS*. Accessed online: <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/nov-2021>
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